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October 15, 2004

**Transmitted via Facsimile
To (720) 962-7200**

Mr. Michael HacsKaylo, Administrator
Western Area Power Administration (Western)
P.O. Box 281213
Lakewood, Colorado 80228-8213

Dear Mike:

I write to express Salt River Project's concern with two letters we recently received from the Assistant Regional Manager for Power Marketing of Western's Desert Southwest Customer Service Region, dated September 27, 2004 and October 5, 2004. Many other Parker-Davis Project contractors share this concern. The letters attempt to summarize the current status of the so-called "Section 12 language," a new contract provision proposed by Western to be included in the Contract Extension Amendment for our Parker-Davis Firm Electric Service Contract, and suggest that the language is now a "workable provision."

Since first learning that Western was proposing the Section 12 language, we have participated in Western's customer consultation process to determine whether the language could be revised to be acceptable to both Western and the customers. We appreciate the efforts of the Desert Southwest staff and recognize Western has incorporated some of the suggestions made by customers, however, our central concerns have not been addressed. It is our contention that the Parker-Davis contracts and other power contracts have been successfully marketed under the preference laws for decades without the kind of unilateral dispute resolution envisioned in Section 12. This is why, to our knowledge, the strong preference of the customers continues to be that the Section 12 language not be included in the contract extension amendments.

We will continue to pursue solutions that will meet the needs of Western and the customers and will communicate with you further, certainly within the thirty day time period stated in the September 27 letter. In the meantime, we appreciate your willingness to meet with certain Western customers on October 18, 2004 to discuss the relevance of Section 12 and any viable alternative to it and other related matters.

We look forward to working with you further on this and other Parker-Davis contract extension issues.

Sincerely,

A handwritten signature in cursive script that reads "Mark S. Mitchell".

Mark S. Mitchell
Manager of Power Marketing

cc: Mr. Tyler Carlson Fax (602) 352-2520
Ms. Jean Gray Fax (602) 352-2490